

WASHINGTON STATE DEPARTMENT OF REVENUE



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For more information, contact:

Mike Gowrylow

(360) 486-2113

**New Penalties Increase the Cost of Making a Mistake on Your State Tax Return**

**OLYMPIA, Wash.**, June 26, 2003—The cost of making a mistake on your state tax return goes up July 1 when new and increased penalties take effect.

Recently enacted legislation increases the penalties imposed on businesses when they file their returns late, don't pay all taxes due, and fail to register their businesses.

The tougher penalties are expected to generate \$55 million more over the next two years. The Department of Revenue, nonetheless, is offering businesses the tools they need to get their taxes right the first time so they don't incur penalties.

"The cost of making a mistake just went up, but we're trying to let taxpayers know what they need to do to avoid these penalties," Acting Director Will Rice said. "When taxes are paid accurately and on time, everyone wins."

Chief among these tools is the Department's free Electronic Filing (ELF) service, which reduces the likelihood of making a mistake by automatically calculating taxes due and flagging any potential errors before a return is submitted. It also lets businesses file returns in advance, but delay payment until the due date. For more information, click [here](#).

Businesses with questions about how to correctly report their taxes can call a toll-free number, 1-800-647-7706. They also can request letter rulings on tax issues, or ask for a tax consultation visit.

The Department also is encouraging unregistered businesses to step forward voluntarily before they are caught and face penalties of up to 35 percent plus interest on up to seven years of back taxes. Penalties can go even higher and include criminal prosecution if intentional fraud is detected.

Rice noted that the Legislature authorized the hiring of more revenue agents to find unregistered businesses that are not paying their fair share of taxes.

"Unregistered businesses compete unfairly with honest companies. We encourage unregistered businesses to come forward voluntarily, first, because it's the right thing to do, and second, because it's getting riskier and more costly to operate without a business license," Rice said.

The Department's voluntary disclosure program lets businesses settle back taxes with a look-back period of only four years and full or partial waiver of penalties, he noted. This option is open only to unregistered businesses that have not been contacted by the Department yet. More information is available [here](#).

Penalties were increased by 5 percent for late filers, and a new 5 percent penalty was imposed when the Department of Revenue makes assessments following an audit or when it must bill a taxpayer for underpayment of taxes due to errors on a tax return. These penalties increase to 15 percent and then 25 percent if the taxes continue to go unpaid. As before, interest also accrues against unpaid taxes. An additional 5 percent penalty was imposed on unregistered businesses on top of other penalties and interest. Additional information is available [here](#).

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